

# BALTIMORE COUNTY

## ECONOMIC INDICATORS AND REVENUE REPORT

1999 Third Quarter  
July 1 to September 30, 1999



Office of the County Auditor  
December 6, 1999

**BALTIMORE COUNTY  
ECONOMIC INDICATORS REPORT**

**1999 THIRD QUARTER**

**TABLE OF CONTENTS**

|                                                   | <u>Page</u> |
|---------------------------------------------------|-------------|
| <u>ECONOMIC INDICATORS SUMMARY</u> .....          | 1           |
| <u>EMPLOYMENT</u>                                 |             |
| Employment .....                                  | 2           |
| Unemployment .....                                | 3           |
| <u>HOUSING</u>                                    |             |
| Existing-Home Sales and Inventory .....           | 4-5         |
| Building Permit Activity - Number and Value ..... | 6-7         |
| Mortgage and Other Interest Rates .....           | 8-9         |
| <u>INFLATION</u> .....                            | 10          |
| <u>SPENDING</u> .....                             | 11-12       |
| <u>FISCAL YEAR 2000 REVENUES</u> .....            | 13-14       |
| <u>ENDNOTES</u> .....                             | 15          |

## SUMMARY OF ECONOMIC INDICATORS

**Baltimore County economic indicators** for the third quarter of 1999 continue to show a solid performance with considerable year-over-year employment growth, a low unemployment rate, and a strong housing market. *The strength of the County's economy in the third quarter, coupled with a continued favorable, albeit slower, growth outlook for the U.S. and Maryland economies suggest continued growth and a positive outlook for the County.*



**Employment** among County residents rose a sharp 11,380 persons, or by 3.0%, from 1998:Q3 to 1999:Q3, while the County **labor force** increased by 7,524, or by 1.9%.

The number of **unemployed** and the **unemployment rate** showed a large drop in the County over the 1998:Q3 to 1999:Q3 period (pages 2-3).

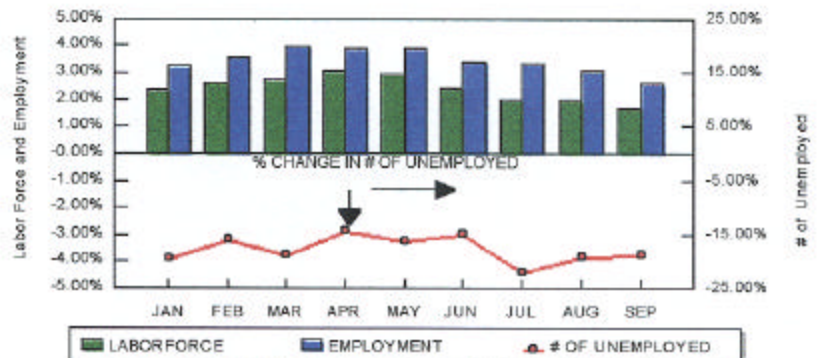


**Settlements** on existing homes as well as **pending sales** (suggestive of future sales) increased by 16.4%

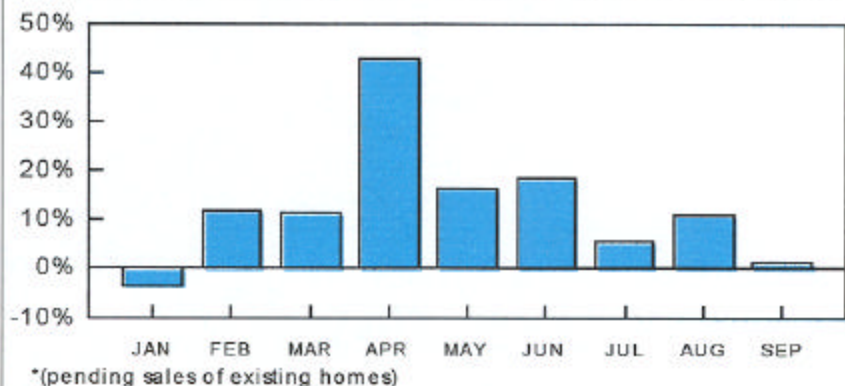
and 6.1%, respectively, over the comparable third quarter 1998 figures. Both the value and number of **residential and non-residential** building permits were up on a year-over-year basis over the first seven months of 1999. In July, the residential sector seemed to be gaining a little momentum, while the non-residential sector was slowing.

**Mortgage rates** and other interest rates continued to move upward in the third quarter and accelerated even more in October (pages 4-9).

**FIGURE 1: BALTIMORE COUNTY LABOR FORCE, EMPLOYMENT & UNEMPLOYMENT**  
Percent Increase/Decrease, 1998-1999



**FIGURE 2: BALTIMORE COUNTY PENDING HOME SALES\***  
Percent Increase/Decrease, 1998-1999



**Regional and U.S. inflation** were both at a 2.4% annual rate (September-to-September) (page 10). **U.S. economic growth** expanded at an annual rate of 4.3% in the first quarter of 1999, by a more moderate 1.9% in the second quarter, and by 5.5% in the third quarter (page 10).



**Consumer Confidence** slipped for four consecutive months (July - October) but recovered somewhat in November. Overall, consumers remain confident and are poised to continue to support the current economic expansion (pages 11-12).<sup>1</sup>



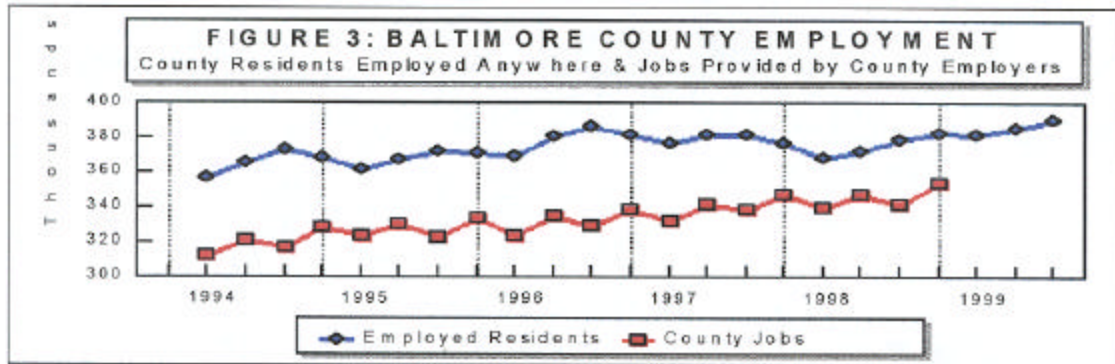
# ECONOMIC INDICATORS

## EMPLOYMENT

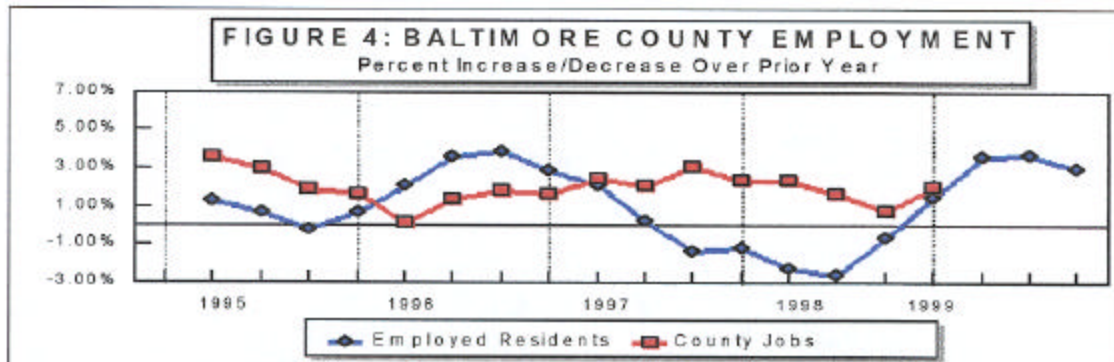


Figure 3 shows quarterly employment levels for both County residents<sup>2</sup> and County employers<sup>3</sup>. Each measure displays a distinct seasonal pattern, with resident employment usually increasing and peaking in the second and third quarters, and the number of County jobs increasing in the second and fourth quarters and dropping in the first and third. Current data show the seasonal pattern continues to hold as resident employment moved up in the third quarter of 1999 and County jobs rose in the fourth quarter of 1998 (County jobs data lags resident employment data by several quarters). For the third quarter of 1999, resident employment increased 1.2% or 4,441 persons, over second quarter levels. County jobs in the fourth quarter of 1998 increased by a strong 3.8% or 12,818 jobs, compared to 1998's third quarter.

Year-over-year comparison also shows a healthy County labor market. From 1998:Q3 to 1999:Q3, resident employment showed a 3.0% or 11,380 person gain. County jobs over the 1997:Q4 to 1998:Q4 period rose by a solid 2.1% or 7,130 jobs (Figures 3 and 4).



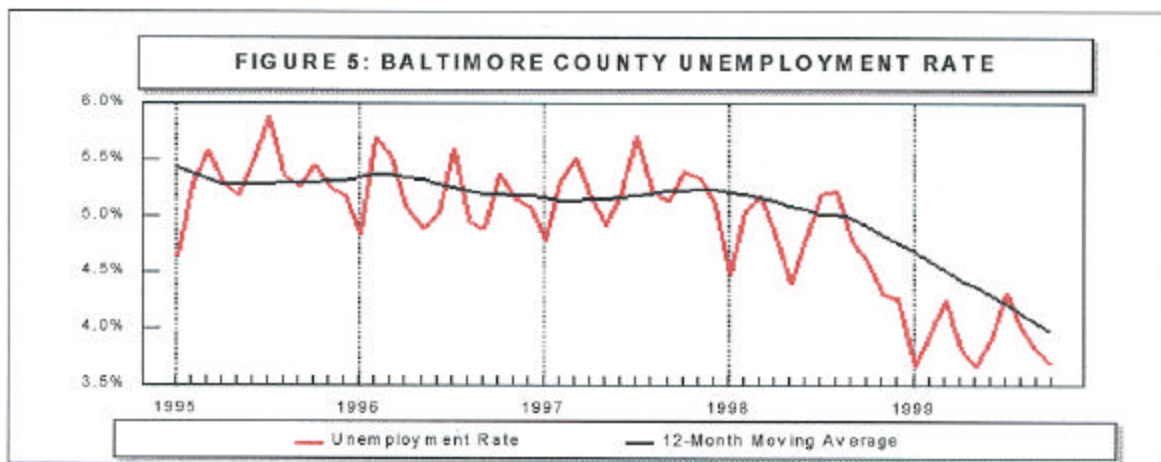
While the County employment picture is bright, it continues to lag State employment growth. From September 1998 to September 1999, Baltimore County resident employment was up 2.6%, but trailed the State's employment growth rate of 2.9%. Both Baltimore County's and the State's resident employment increased by 3.0% from the third quarter of 1998 to the comparable 1999 period.





In 1999:Q3, the County's total resident employment stood at 390,086 persons -- the highest reading on record. Reflecting strong employment numbers, the number of **unemployed** County residents dropped by 3,855 persons over the last year, and by an impressive 5,600 plus persons over the last two years. In 1999:Q3, only 15,583 County residents -- out of a labor force of 405,669 -- remain unemployed. This number of unemployed is the lowest since 1989:Q1.

Baltimore County's total **unemployment rate** averaged 3.8% in 1999:Q3 -- down from the 4.9% and 5.3% average in the third quarter of 1998 and 1997, respectively (Figure 5). The steady downward progression of the County's unemployment rate reflects the recent U.S., Maryland's and County's economic performance. Economic growth in the U.S. has averaged nearly 4.0% over the last three years (an extraordinary rate of growth at this stage of the current expansion), while the State has recorded even stronger growth over the last several years. The decline in the County's unemployment rate over the last two years reflects the addition of over 8,800 employed residents, while the labor force increased by a little over 3,200 persons.



Over the decade of the 1990's, the County's unemployment rate has generally been higher than the State's unemployment rate, but that gap has narrowed in recent years. In 1999:Q3, the State's unemployment rate averaged 3.6% compared to the County's 3.8% rate. In September, the State and County recorded unemployment rates of 3.3% and 3.7%, respectively, both down a full or nearly a full percentage point from September a year ago. In contrast, the current October 1999 U.S. unemployment rate reached a 30 year low of 4.1%.

September 1999 unemployment rates vary considerably throughout Maryland. Of Maryland's 24 jurisdictions (including Baltimore City), unemployment rates varied from below 2% in Howard and Montgomery Counties (eleven additional counties had an unemployment rate below 3%) to rates exceeding 5% in Dorchester, Allegany, Garrett and Somerset Counties, and Baltimore City (Baltimore City's unemployment rate of 7.0% was the State's high). Baltimore County ranked 18th statewide, and for the Baltimore Metropolitan Area (BMA) the County's unemployment rate of 3.7% was the second highest and only slightly below the BMA average of 3.9%, which is strongly influenced by Baltimore City. In fact, if the City's employment data were excluded, the September 1999 BMA unemployment rate would have been only 2.9%. Thus, while Baltimore County's economy and labor markets are performing well, they lag regional developments, after excluding the City's data.

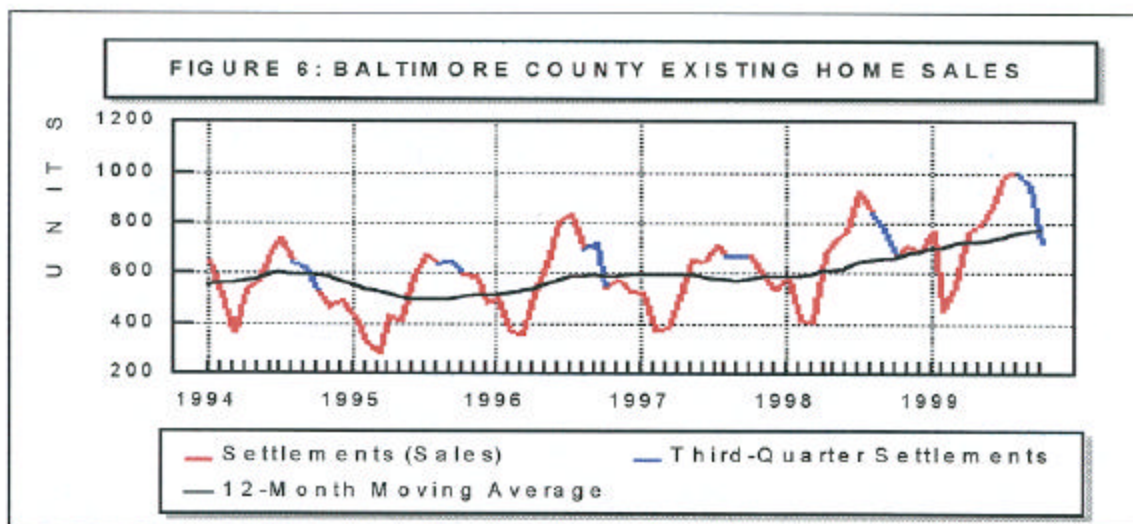


## HOUSING



Figure 6 shows monthly **existing-home sales** in Baltimore County over the 1994 to 1999 period.<sup>4</sup> Annual existing home sales in the County have been progressively moving upward over the six years. In the 1994-95 period, sales were in the 6,200 to 6,600 range, increased to the 7,000 to 7,100 range over the 1996-97 period, and rose to over 8,500 units in 1998. The underlying nine month trend for 1999 is for sales to exceed the 9,000 mark. Sales in every month during

the first nine months of 1999 exceeded the sales levels recorded during the comparable month in 1998, with sales in 1999:Q3 16.4% ahead of 1998:Q3 and nearly 14% higher than the first nine months of 1998. September 1999 sales were 6.2% higher than September 1998.



The number of **pending existing-home sales** within the County, shown in Figure 7, continues to show strength in 1999:Q3, totaling 2,141 -- up nearly 6.1% from 1998:Q3. While the high level of pending sales suggests a continuation of the solid resale market over the next few months, the active inventory of existing homes for sale in September was at its lowest point since early 1992 and 24% below year-ago levels. The low inventory level may be indicative of a slowing home sales market with perhaps firming prices as consumers are offered fewer housing alternatives.

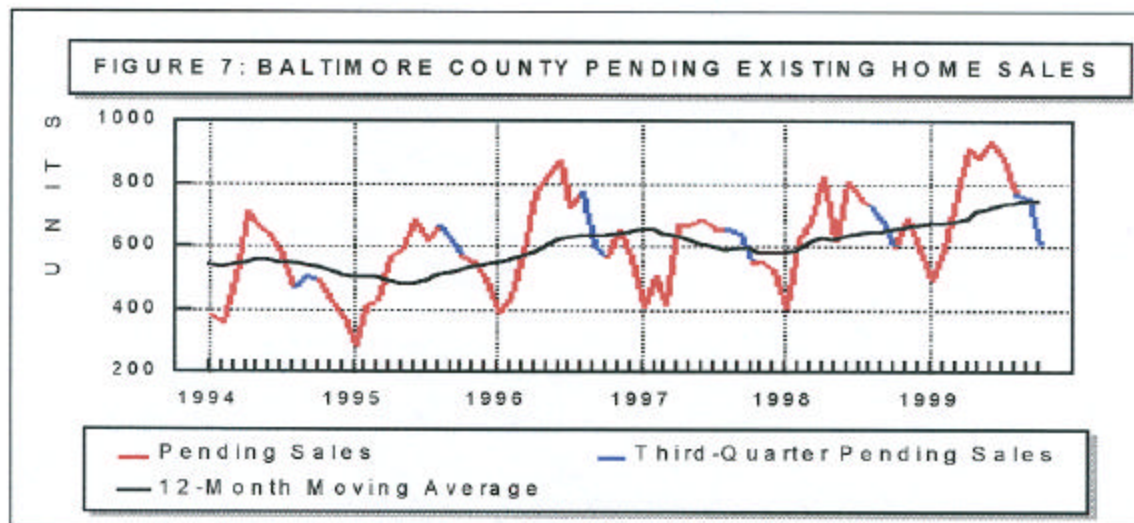
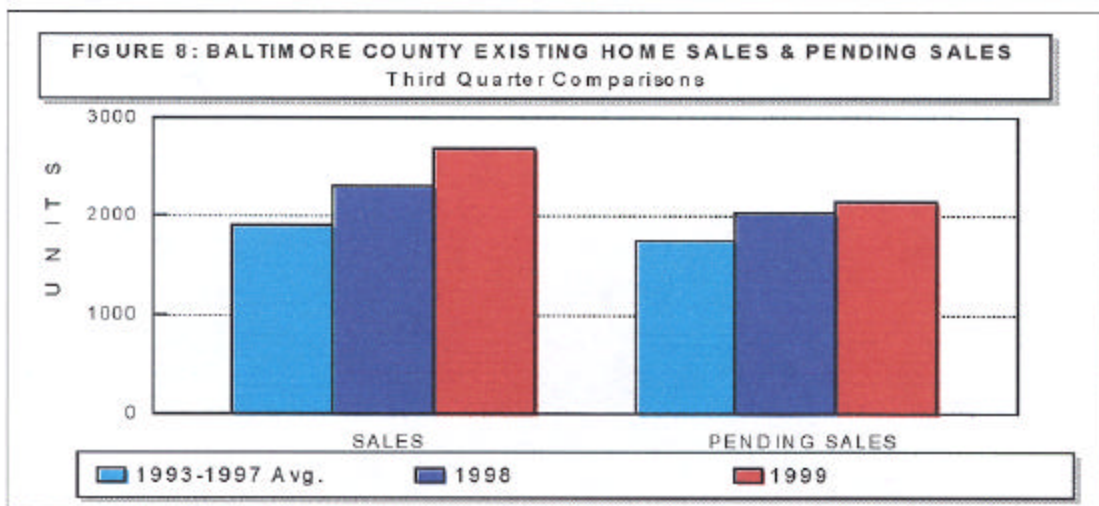
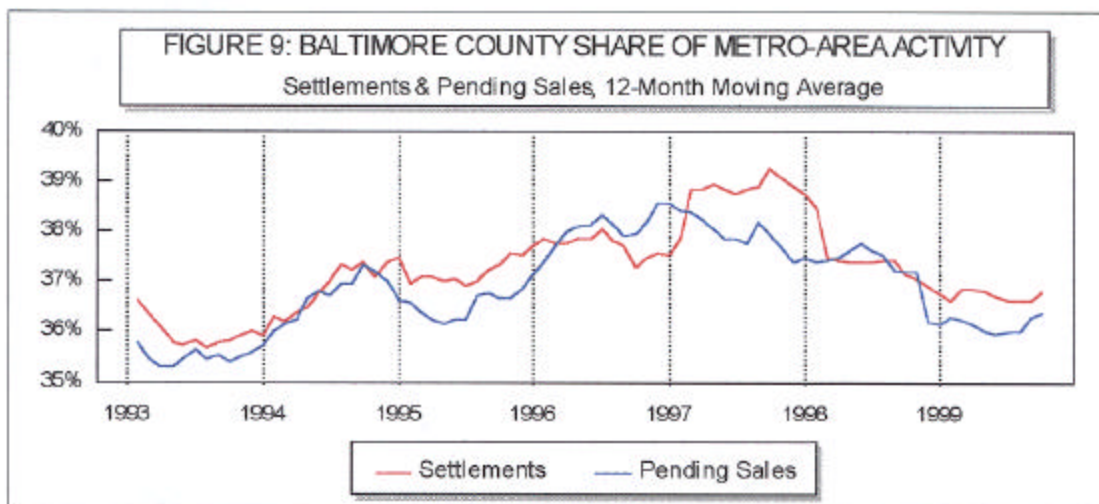




Figure 8 shows a longer term perspective of the remarkable current strength of the **Baltimore County residential housing market**. The number of sales for 1999:Q3 exceeded 1998:Q3 and the prior 5-year average by 16.4% and 38.8%, respectively. Pending sales for the third quarter of 1999 were 6.1% ahead of last year, and 21.8% ahead of the 1993-1997 third quarter average. While the current level of pending sales suggests continued modest underlying strength in the housing market, as indicated prior, this strength might be tempered by a declining number of units for sale as well as rising mortgage interest rates (discussed later).

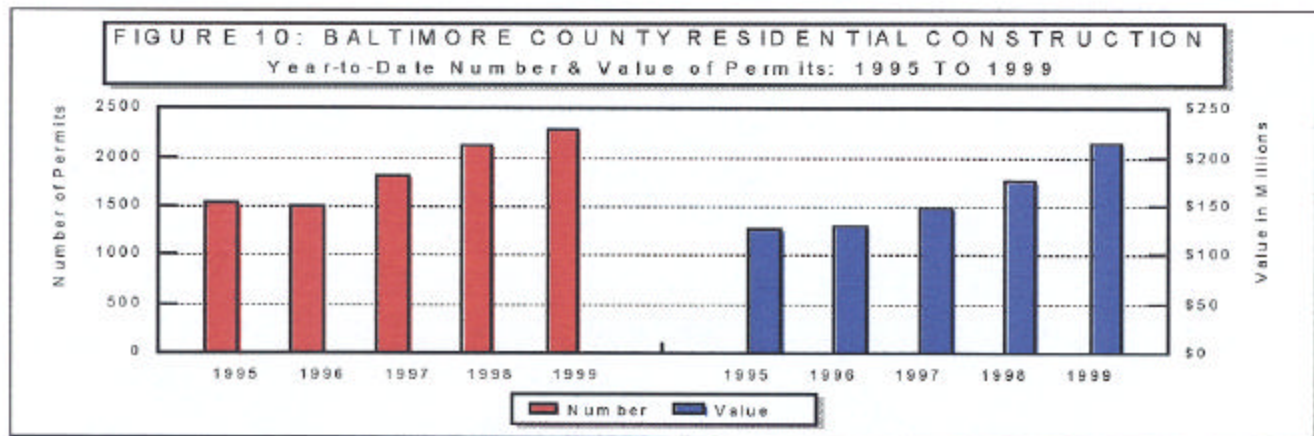


Baltimore County's share of the monthly Baltimore-Metropolitan-Area existing home sales typically falls between 35% and 40%. The County's portion of the Metro-Area's existing home sales increased over the 5-year period from 1993 to 1997, but dropped off somewhat in late 1998 to around 36% of Metropolitan-Area sales. For the third quarter of 1999, the County's share of the Metro Area's existing home sales and pending County home sales were 37.3% and 37.6%, respectively (which is within the historic norm). Figure 9 shows a **12-month moving average** of the County's share of the Metro Area's existing home sales and pending sales. For the third quarter of 1999, the 12-month moving average of both sales and pending sales was around 36% of the Metro Area.

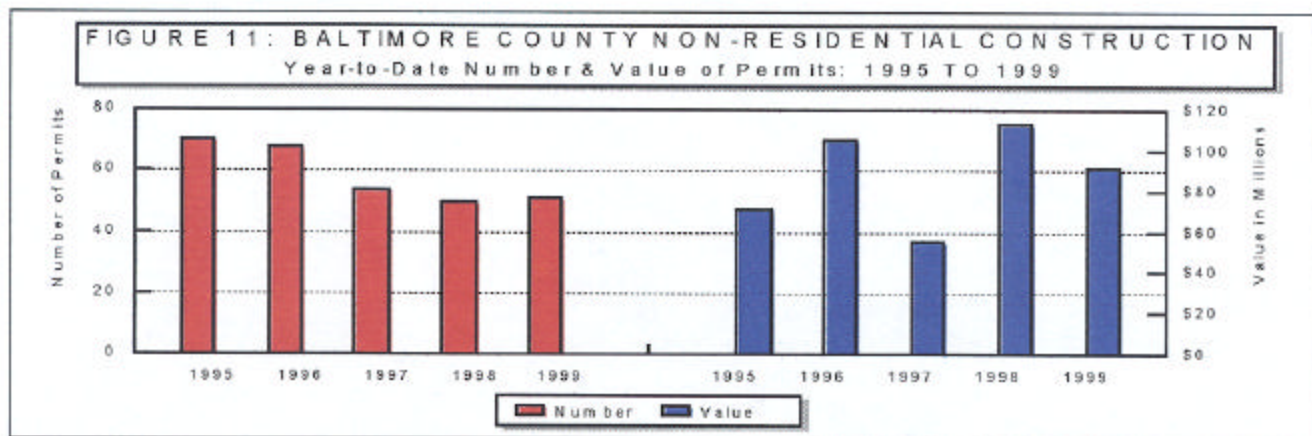




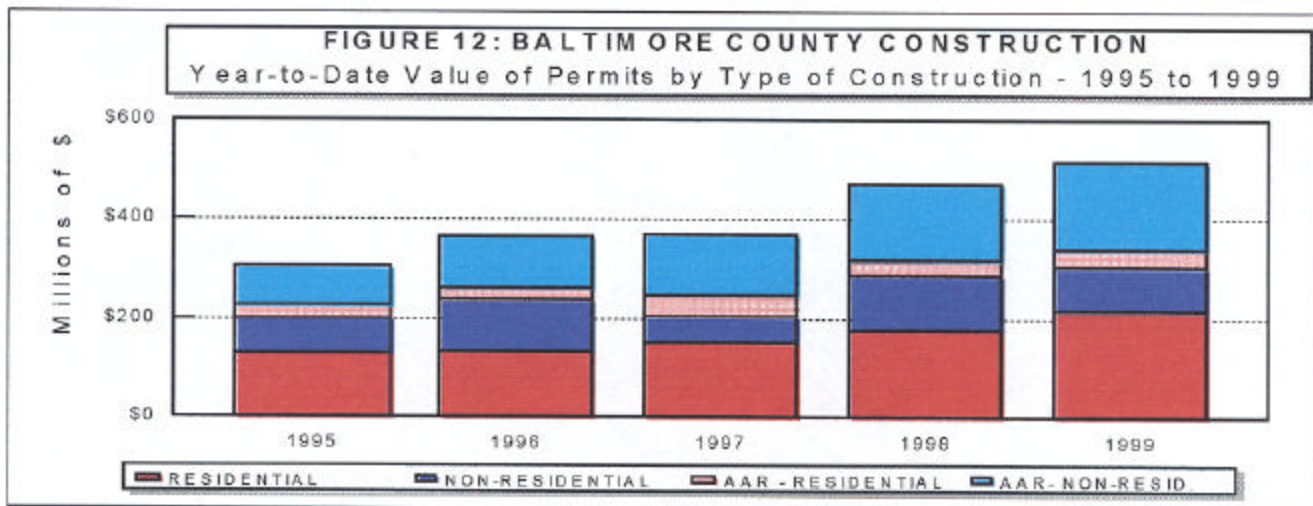
Baltimore County **residential building permit activity** continues to show impressive results over the first seven months of 1999. Figure 10 shows the number and value of County residential building permits over the 1995 - 1999 period from January to July. In terms of number and value, the 1995-1997 period was relatively flat but in 1998, both the number and value of residential building permits began to rise. Over the January - July 1999 period, the number and value of residential building permits was up 19% and 22%, respectively, over the comparable 1998 period. These gains come on top of the impressive 1998 gain. Over 1999's second quarter, however, the number and value of residential building permits was down over the comparable 1998 period, but both bounced back sharply in July (not shown separately).



New **non-residential building activity** continues to be a plus in the County's economy (Figure 11). Over the January to July 1999 period, the value of new non-residential construction was \$91.1 million, down 20% over the comparable 1998 period but up 65% over the same 1997 period. Regardless of the lower 1999 comparison with 1998, new non-residential building activity continues at a solid pace. Non-residential building activity is contingent on specific projects which can make this economic data set volatile. A few of the more significant July projects included: A new 2-story office building in Reisterstown/Owings Mills, \$2,000,000; and in Cockeysville-Timonium, a Lowe's Home Improvement Center, \$4,500,000, a new office building \$2,250,000, and a new Sam's Club, \$4,000,000.







The **total** value of all construction permits issued in Baltimore County over the first seven months of 1999 was \$444.5 million -- up by 9% and 39%, respectively, over the comparable 1998 and 1997 periods. A key component in overall construction permit activity, **additions, alterations, and repairs (AAR)** accounted for about 41% of total construction value over 1999's first seven months - a little ahead of the comparable period in 1998, but below the 45% ratio garnered in 1997. The lower percentage for AAR in 1999 and 1998, relative to 1997, does not necessarily reflect weakness in the AAR market. In fact, 1999 AAR construction values are up over the January - July 1998 and 1997 periods by 14% and 26%, respectively. The lower share for AAR in 1999 and 1998 reflects the amassing strength in new residential and new non-residential construction which have shown increases of 45% and 65%, respectively, over the January to July 1997 - 1999 period. Thus, while AAR is currently showing strong growth, the other components that make up the entire Baltimore County construction picture are growing even faster. A few of the major AAR projects approved in July included:

| <u>Value</u>   | <u>Facility</u>                 | <u>Area</u>               |
|----------------|---------------------------------|---------------------------|
| \$ 2.7 million | School Addition and Alterations | Reisterstown-Owings Mills |
| .5 million     | Church Alterations              | Reisterstown-Owings Mills |
| .7 million     | Stream Restoration              | Lutherville               |
| .8 million     | Office Alteration               | Pikesville                |
| .5 million     | Office Addition/Dialysis Center | Towson                    |
| .5 million     | Warehouse Alterations           | Arbutus/Lansdowne         |



**Mortgage and other interest rates:** In order to slow the pace of economic activity and prevent inflation from re-emerging, the Federal Reserve's Federal Open Market Committee (FOMC) so far in 1999 has made three preemptive moves by increasing short-term interest rates. On June 30, August 24, and again on November 16, the FOMC lifted its key interest rate - the federal funds rate - by one quarter point, or 25 basis points each time, to the current 5.5% level. The latest interest rate increase takes the federal funds rate back to the level it was before the FOMC started a series of three rapid-fire interest rate cuts last year in late Summer and early Fall, due to the Russian and Asian economic crises. Expectations are that the latest interest rate increase by the FOMC is likely to be the last one for a while since the FOMC shifted its future policy directive to "neutral" from a bias towards higher rates.

Interest rates have shown clear upward momentum over the last year, particularly long-term rates and especially the 30-year conventional mortgage rate. The interest rate table below pin-points the magnitude of this rise in rates. Short-term Treasury Bills in the third quarter of 1999 averaged 4.79%, up 20 basis points from the second quarter, and 42 basis points above the fourth quarter of 1998. As of October 29, the benchmark 90-day Treasury Bill rate was 5.12% -- up more than one-quarter point, or 33 basis points from the third quarter average. Compared to the 90-day Treasury Bill, the rise in the 30-year Treasury Bond was quite a bit steeper in the second quarter, roughly the same in the third quarter, and decisively lower through late October. The 30-year Treasury Bond, after reaching a record low in the fourth quarter of 1998 at 5.10%, rose by 27 basis points in the first quarter of 1999, 43 basis points in the second quarter, and another 24 basis points in the third quarter. From 1999's third quarter average to October 29, 1999, long-term Treasury Bonds have risen an additional 12 basis points to 6.16%. Thus, while short-term rates continue to move up smartly, long term rates are seeing less upward pressure. Relatively rising short term interest rates reflects increased worldwide credit demand as Asia recovers from its financial crisis in the Fall of 1998 and the European economies begin to show signs of stronger economic growth.

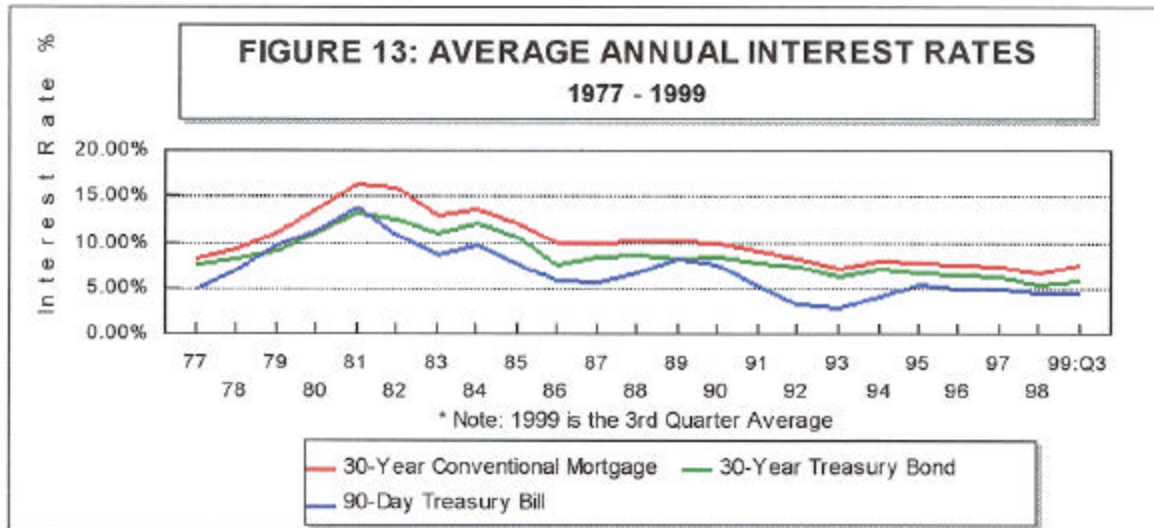
|                  | <u>Interest Rates</u>            |                                   |                                     |
|------------------|----------------------------------|-----------------------------------|-------------------------------------|
|                  | <u>90-Day<br/>Treasury Bills</u> | <u>30-Year<br/>Treasury Bonds</u> | <u>30-Year Conven.<br/>Mortgage</u> |
| 1998: Q4         | 4.37%                            | 5.10%                             | 6.77%                               |
| 1999:Q1          | 4.53                             | 5.37                              | 6.88                                |
| 1999:Q2          | 4.59                             | 5.80                              | 7.21                                |
| 1999: Q3         | 4.79                             | 6.04                              | 7.80                                |
| October 29, 1999 | 5.12                             | 6.16                              | 7.96                                |

Source: Federal Reserve Board



Nationally, 30-year fixed-rate mortgages reached a low of 6.49% in October 1998, the lowest level in 3 decades, and for the fourth quarter of 1998 averaged below 7% both nationally and in the Baltimore Metropolitan Area. However, during the first quarter of 1999, mortgage rates began to move-up, and for the first quarter averaged 6.88% --11 basis points above the previous quarter. Mortgage rates moved up another 33 basis points in the second quarter and 59 basis points in the third quarter to 7.80% -- the highest quarter rate since the third quarter of 1996. Since the third quarter, mortgage rates have moved up another 16 basis points and as of October 29, 1999 the 30-year conventional mortgage rate stood at 7.96%.

Higher mortgage rates, if they continue, will likely slow new construction and the residential resale market in the coming quarters. Current Baltimore County data still show a record residential resale market and solid performance throughout various real estate markets. Nationally, however, new home sales slipped nearly 13% in September while new home prices reached record levels. A slowdown in the housing market would have two significant impacts on the economy. First, a slower market means fewer sales and fewer households cashing out capital gains, and hence spending power that fuels the economy. According to Federal Reserve Chairman Alan Greenspan, the effect of rising house prices on consumer spending, the engine of U.S. economic growth, is bigger than that of rising stock prices. Second, fewer residential resales would cause revenues in the County to weaken and recordation and title transfer taxes to be lower than anticipated. However, a modest slowing in real estate related taxes are currently incorporated in the County's revenue estimates.

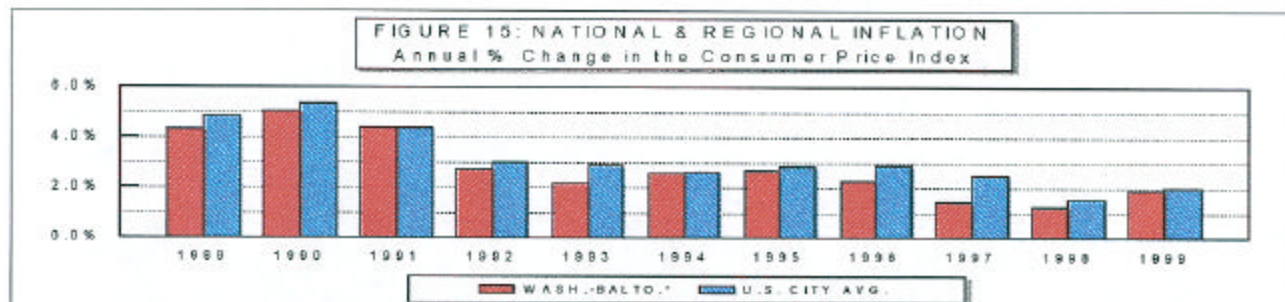
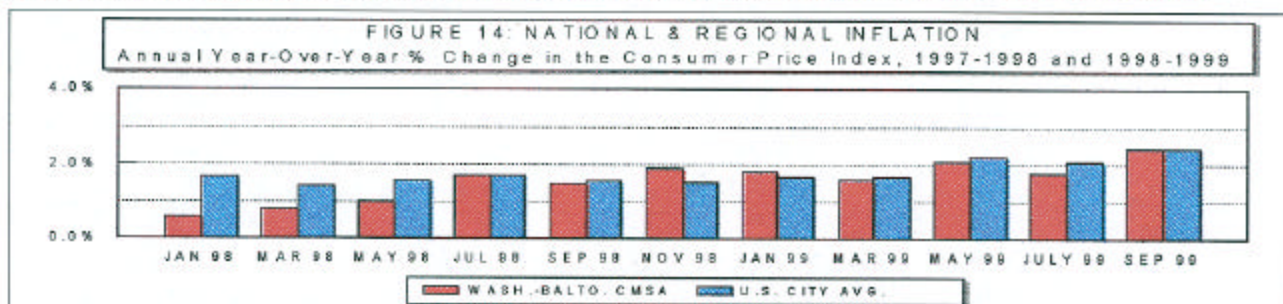




## INFLATION

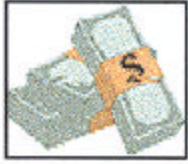
**The Consumer Price Index (CPI)** for the Washington-Baltimore Consolidated Metropolitan Statistical Area (CMSA) over the September 1998 to September 1999 period, increased by 2.4%, the same pace as the U.S. inflation rate (Figure 14). While the rise in inflation can still be described as "modest", over the last few years, inflation in the Washington-Baltimore region had been running a little below the national average. However, starting around mid-year 1998, Washington-Baltimore CMSA inflation was running at an annual rate very close to, or slightly above, the U.S. rate. The September to September CPI increase at both the regional and national levels are ahead of comparable year ago increases. Over the last few years -- 1996, 1997 and 1998, the CPI increased by 2.9%, 2.3%, and 1.6%, respectively. Financial Markets responded favorably to the low inflation environment in 1998 versus 1996. For example, in 1998, the 5-year and 30-year Treasury Bond averaged 103 basis points and 112 basis points, respectively, below the levels recorded in 1996. Thus, increasing inflation puts upward pressure on interest rates, with greater pressure at the long end of the market. Higher interest rates act to restrict consumer demand, especially for big ticket items, and business fixed investments.

Recent inflation forecasts suggest that inflation will increase at a somewhat faster pace than what occurred in 1998. The Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* (August 23, 1999) projects consumer inflation for all of 1999 and 2000 at 2.3% and 2.4%, respectively. The September 1999 National Association for Business Economics' consensus CPI forecast for 1999 and 2000 was 2.1% and 2.4%, respectively. Recently, (November) RESI projected that inflation in 1999 might reach 2.8% and 3.0% in 2000. These higher inflation forecasts reflect beliefs that most of the Asian economies, after faltering in the Summer/Fall of 1998, are poised for a sharp rebound and that Japan, after 6 years of no growth, has finally turned the corner. Thus, these factors along with a turn around in commodity prices, a weakening dollar, and rising labor costs in the U.S. will contribute to rising inflation.





## Consumer Spending



**Real personal consumption expenditures**, fueled by increasing employment, rising wages, low inflation, and a continued high level of consumer confidence, rose at a 4.3% and 5.1% real annual rate in the second and third quarters of 1999, respectively. The continued high level of confidence, coupled with a strong labor market characterized by solid employment growth and a low unemployment rate, should keep the economy moving forward.

In October, the U.S. unemployment rate fell to 4.1%, the lowest level since January 1970, as non-farm payroll grew by 310,000 jobs. But, while the employment and consumer spending numbers were turning in a stellar performance, the **Index of Consumer Confidence**\* in October slipped for the fourth straight month reflecting, according to the Index's publisher, *The Conference Board*, falling stock prices in September and October. However, consumer confidence once again turned sharply positive in November as strong labor markets and income gains outweighed rising interest rates. November's gain in consumer confidence left the Index a little below the June 1999, 30-year high reading. All components of the Index advanced in November -- overall **confidence**, positive feelings about the **present situation**, and **expectations**. But while consumers were optimistic about the future, many indicated in the November survey that they plan to slow their spending over the next six months. Comparing October and November Consumer Confidence surveys, few Americans said that they plan to buy a car, a home, or a major appliance in the next six months. Regardless, solid employment and personal income gains and an overall healthy macro economic environment should continue to propel the economy forward.

Most economic forecasters are calling for economic growth to continue, albeit at a pace slower than the last few years. Thus far in 1999, the U.S. economy, as measured by the Commerce Department's Real Gross Domestic Product (GDP), has performed remarkably well. GDP expanded by a 4.3% annual rate in the first quarter, a 1.9% annual rate in the second quarter, and by a 5.5% annual rate in the third quarter. Real GDP expanded by 3.9% in both 1997 and 1998. While a few recent economic indicators (the Index of Leading Economic Indicators, Factory Orders, overall manufacturing activity, etc.) suggest the economy might be slowing from its current strong pace, a solid economic performance is expected in 2000. Thus, the U.S. economy is on track for achieving the longest expansion ever. The longest expansion in U.S. history lasted 106 months, from February 1961 until December 1969. The current expansion began in March 1991 and would match the record if it continues through January 2000.

**The economic expansion in Maryland and Baltimore County got underway later than the U.S. as a whole. But, at this stage of the expansion, there are more direct linkages between the County, State and national economy than what existed when the expansion began.**

---

\* This particular gauge is important in evaluating the economy's future since consumer spending accounts for about two-thirds of overall economic activity. The more confident the consumer, the more likely they will continue to spend and propel the economy forward.



The table below highlights some recent GDP forecasts for calendar years 1999 and 2000 for the national economy.

| <u>Forecaster</u>     | <u>% Change: GDP</u> |             |
|-----------------------|----------------------|-------------|
|                       | <u>1999</u>          | <u>2000</u> |
| F.R.B. - Philadelphia | 3.8%                 | 3.1%        |
| NABE                  | 3.8                  | 2.7         |
| RESI                  | 4.0                  | 3.1         |
| RFA                   | 3.9                  | 2.4         |

FRB - Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, Nov. 1999

NABE - National Association of Business Economics, September 1999

RESI - Regional Economic Studies Institute, November 1999

RFA - Regional Financial Associates

Forecasts indicate that the real U.S. economy will expand by 3.8% - 4.0% in 1999. For 2000, a divergence in GDP growth forecasts are emerging with a range of 2.4% - 3.1%, and an average of 2.8%. A growth rate in real GDP of a little below 3%, at this stage of the economic expansion, is still a very respectable growth rate but it represents a growth rate that will cause new job creation to slow.

Maryland's Gross State Product (GSP) in 2000 is forecast by RESI to increase at a considerably quicker pace than national GDP -- 3.7% versus 3.1%. (Note: RESI is at the high end of the forecasters). GSP is the State's equivalent to the national GDP and measure economic output (production of all goods and services) produced with the resources within a State's boundaries. If the projected growth rate for Maryland in 2000 materializes, and the County's growth rate follows the State's pattern, County revenues will continue to grow at a solid pace.



## FISCAL YEAR 2000 REVENUES

**Total revenues:** FY 2000 revenues totaled \$565.6 million through October, 1.7% ahead of last year's pace; this represents over one half of the expected FY 2000 revenues. Based on the economic indicators to date, our revised revenue estimate of \$1,121.3 million for FY 2000 appears reasonable.

Over the last few years, the economy's of Maryland and the U.S. have been more in sync than compared to the early 1990's as have the economic activity between the County and the State, with the County growing at a slightly slower pace. Thus, with the U.S. economy continuing to display remarkable strength, increasing at a 5.5% annual rate in the third quarter of 1999, expectation for the County's economy and revenue generation capabilities remain positive.

**Property tax revenues:** Property tax revenues through October totaled \$485.8 million -- 2.1% ahead of the same period last year. Property tax collections currently account for 86% of total revenues collected so far this fiscal year. Most property taxes are due in July while other taxes, especially income taxes that flow through the State, are recorded later in the fiscal year. In recent years the number of property owners shifting from an annual to semi-annual property tax payment schedule has increased sharply. In FY 1999, there were under 10,000 property owners utilizing the semi-annual payment option; however, for FY 2000 that number has increased to nearly 30,000. This will shift several million dollars in property tax payments from the first half of FY 2000 to the second half.

Baltimore County Revenues By Selected Categories  
Through October 1999 (Millions of Dollars)

|                    | <u>FY 1999</u> | <u>FY 2000</u> | <u>% Change</u> | <u>% of Total<br/>FY 2000</u> |
|--------------------|----------------|----------------|-----------------|-------------------------------|
| Property Taxes     | \$475.7        | \$485.8        | 2.1%            | 85.9%                         |
| Income Taxes       | 24.8           | 23.8           | - 4.0           | 4.2                           |
| All Other Revenues | <u>55.6</u>    | <u>56.0</u>    | <u>0.7</u>      | <u>9.9</u>                    |
| Total Revenues     | <u>\$556.1</u> | <u>\$565.6</u> | <u>1.7%</u>     | <u>100.0%</u>                 |

Given the recent strong level of new residential building permits, new nonresidential construction activity, as well as the high level of additions, alterations and repairs, many new taxable properties will be coming on stream as FY 2000 progresses. These new/improved properties will add to the County's property tax revenue collections, thus the current property tax revenue estimate of \$511 million appears likely to materialize.

**Income tax revenues:** At this point in the fiscal year, usually under 5% of the income tax revenues are collected. Income tax revenues through October totaled \$23.8 million, down 4.0% over the same period last fiscal year. This does not suggest, however, that income tax receipts for the entire fiscal year are likely to be below last year's level. The slightly lower to-date income tax receipts reflects, for the most part, the changed timing by the State in distributing various income tax collections to the County. With the County's unemployment rate at the lowest levels in a decade and the number of employed County resident growing, income tax revenues are likely to be increasing in FY 2000.

There has been considerable discussion about the importance of capital gains to the County's and State's income tax revenue collections. Currently, there is no evidence that revenues from capital gains will be slowing as the level of stock market trading and valuations remain high. Even if revenues from capital gains slow, overall income tax revenues are likely to continue to advance, reflecting the increased number of employed County residents as well as recent wage gains – wages and salaries make up the bulk of personal income. In fact, personal income, which excludes capital gains, will likely advance by around 5% in FY 2000. This suggests that even if revenues from capital gains were to slow slightly, overall income tax revenues would still match or exceed current expectations for FY 2000.

**Other revenues:** At this early stage in the fiscal year, revenue comparisons on a year-over-year basis are difficult due to the timing and recording of various tax collection categories. However, through October, FY 2000 County revenues, other than property and income tax, are up slightly (less than 1%) from the same period last year. This revenue collection rate is actually ahead of projections since "other revenues" in FY 2000 are projected to fall by about 1% from FY 1999.



---

### Endnotes (Data Sources)

1. The Conference Board (a nonprofit business-membership and professional organization that produces the Consumer Confidence Index and the Index of Leading Economic Indicators)
2. U.S. Department of Labor, Bureau of Labor Statistics, as cited in the *Maryland Monthly Labor Review*, Office of Labor Market Analysis and Information, MD Department of Labor, Licensing, and Regulation
3. ES-202 Program statistics, Office of Labor Market Analysis and Information, MD Department of Labor, Licensing, and Regulation
4. Existing home sales and pending sales data are from the Maryland Association of Realtors